

Multiconsult ASA fourth quarter and full year 2018

Multiconsult delivered fourth quarter revenue growth driven by increased billing ratio and higher billing rates in Norway. Earnings were negatively impacted by a high level of project write-downs and low activity in LINK arkitektur. Full year 2018 earnings reflected revenue growth from acquisitions and increased billing ratio, but were reduced by net project write-downs. Sales initiatives through the improvement program contributed to strong increase in sales and order backlog was up by 30.5 % year-on-year to NOK 2 803.4 million. New CEO Grethe Bergly will begin 1 March 2019 and new CFO Hans-Jørgen Wibstad will begin 1 June 2019 at the latest.

Oslo, 26 February 2019 – Fourth quarter net operating revenues for the Multiconsult group increased by 5.4% per cent to NOK 892.2 million (NOK 846.2 million). The increase in net operating revenues is exclusively organic reflecting higher billing ratio and billing rates in Norway compared to the same period in 2017. The billing ratio in the quarter increased to 70.6% (68.4%). A high level of net project write-downs of NOK 33.8 million impacted net operating revenues negatively.

Operating expenses increased by 4.1% mainly attributable to higher employee benefit expenses caused by net recruitment and ordinary salary adjustment effective from 1 July. EBIT amounted to NOK 9.5 million (loss of NOK 2.7 million) reflecting a 1.1% EBIT margin.

Full year net operating revenues increased by 11.4% to NOK 3 334.8 million (NOK 2 994.4 million) compared 2017. The increase was mainly driven by higher production due to acquisitions of the Hjellnes group and Iterio AB. The billing ratio increased to 70.2% (68.4%) and average billing rates for the group are slightly higher than previous year. Net project write-downs were at a high level at NOK 66.7 million (NOK 28.9 million). There was a calendar effect of one less working day, reducing net operating revenues by approximately NOK 13.5 million compared to 2017.

Higher employee benefit expenses reflect ordinary salary adjustment and increased manning levels related to acquisitions. Other operating expenses increased accordingly, including increased provisions for legal claims and business development expenses related to international renewable energy. Full year 2018 EBIT amounted to NOK 99.0 million (NOK 118.0 million), a decrease of 16.1%. Full year 2018 EBIT margin was 3.0%.

"Looking at full year 2018, I am not happy with the weak earnings. Profitability has once again been challenging this year, although we have improved on several aspects through the improvement program in Norway. In order to improve further, we have launched an intensified profitability improvement program, "Best Practice", for the whole Multiconsult group. I am excited to see that the billing rates in new contracts are improving on an all-time-high order backlog, as a result of our strong sales performance. Cash generation has been solid this year and we will continue to build on these improvements going forward in order to create shareholder value", says acting CEO of Multiconsult ASA Lars Opsahl.

In light of the weak results in 2017, the group launched a comprehensive profitability improvement program with the ambition of improving the EBIT margin for 2018 to at least 6%. As stated in the third quarter 2018, the original 6% EBIT margin for 2018 ambition was not reached and further improvements are needed. The improvements achieved so far in billing ratio and billing rate have been partly offset by an unsatisfactory level of net project write-downs. Multiconsult has therefore intensified the work with the profitability improvement program, including new, group-wide measures for 2019 as presented at Capital Market Update in November 2018. Profitability improvement remains the number one priority going forward.

The Board of Directors will propose to the annual general meeting a dividend of NOK 1.50 per share for 2018, in line with the dividend policy and at the same level as previous year.

The order backlog at the end of the year increased significantly to NOK 2 803.4 million (NOK 2 147.7 million), an increase of 30.5% year on year, reflecting strong order intake despite of the acquired backlog of the Hjellnes group and Iterio AB in 2017 of NOK 153.4 million and NOK 85.4 million respectively.

There was a strong increase in sales during the fourth quarter reflecting a growth in order intake of 44.2% to NOK 1 480.4 million (NOK 1 026.9 million). Several large contracts have been awarded in the period and the project tender pipeline remains strong, especially within the business area Transportation.

Among important new contracts this quarter were new water supply to the city of Oslo for Oslo City Water and Sewerage Works Agency (Oslo Kommune, vann- og avløpsetaten) and for Northern Krakow S52 Expressway for the General Directorate of National Roads and Motorways in Poland in an EPC with contractor Gülemark. Important add-ons to existing contracts this quarter were second phase (an option) GET FiT Zambia with KfW Development Bank and Drammen hospital with Helse Sør-Øst.

The company successfully completed the employee share purchase programme in the fourth quarter, in which approximately 21 % of employees across the Multiconsult group signed up for shares. "It is very inspiring to see that the employees across the Multiconsult group continue to participate in the programme, which is now successful for the fourth year in a row", says acting CEO of Multiconsult ASA Lars Opsahl.

Group balance sheet is solid as of 31 December 2018 with total assets of NOK 1 890.0 million and total equity of NOK 593.2 million. The group had cash and cash equivalents of NOK 138.9 million, while net interest bearing debt was NOK 59.5 million.

The overall market outlook continues to show positive development across all business areas. There is a continued tough competition on large projects in Norway, but a strong outlook and pipeline has recently resulted in improved market rates. However, the cost level for the Norwegian workforce is not fully reflected in the billing rates. Multiconsult's strong market position, flexible business model and wide service offering provides a sound base for further growth, both domestic and international. The order backlog is increasing and provides a solid foundation for growth, supported by valuable frame agreements generated from a broad and robust customer base.

A presentation of the fourth quarter 2018 results will be held today, 26 February, in Norwegian at 09:00 CET at Hotel Continental,

Stortingsgaten 24/26, Oslo. An English presentation will also be held by a conference call at 11:30 CET. The presentations will be held by acting CEO Lars Opsahl and CFO Anne Harris.

A live webcast from the Norwegian presentation can be accessed at www.multiconsult-ir.com and <http://webtv.hegnar.no/presentation.php?webcastId=97603686>. The English presentation by conference call can be accessed by <http://webtv.hegnar.no/presentation.php?webcastId=97664393>.

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